

**WHITE CLOUD COMMUNITY LIBRARY
NEWAYGO COUNTY, MICHIGAN**

FINANCIAL STATEMENTS

JUNE 30, 2008

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WHITE CLOUD COMMUNITY LIBRARY

Board Members

<u>Appointed Official</u>	<u>Position</u>
Laurel Jones	President
Judy Maike	Vice-President
Christine Tiernan	Secretary
Pat Ebenstein	Treasurer
Georgia Burns	Trustee
Judy Ackerman	Trustee
Herbert Fields	Trustee
Donna Clark	Trustee

Administration

Nancy Harper	Director
Jessie Long	Assistant Director

H&S Companies

Hendon & Slate, PC
Certified Public Accountants
Business Consultants

Library Board
White Cloud Community Library
Newaygo County
White Cloud, MI 49349

Independent Auditor's Report

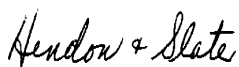
We have audited the accompanying financial statements of the White Cloud Community Library as of and for the year ended June 30, 2008 as listed in the accompanying table of contents. These financial statements are the responsibility of the Library's board. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free from material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the White Cloud Community Library as of June 30, 2008, and the changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis included in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the White Cloud Community Library. We did not examine this data and, accordingly, do not express an opinion thereon.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The required supplemental information listed in the table of contents as supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements of the White Cloud Community Library. This information has been subjected to the procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.



Hendon & Slate, P.C.
Certified Public Accountants
November 5, 2008

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WHITE CLOUD COMMUNITY LIBRARY

Management's Discussion and Analysis (MD&A)

Year Ended June 30, 2008

Using this Annual Report

This annual report consists of three parts - *management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include information that presents two different views of the Library:

? The first column of the financial statements includes information on the Library's General Fund under the modified accrual method. These *Fund Financial Statements* focus on the current financial resources and provide a more detailed view about the accountability of the Library's sources and uses of funds.

? The second column of the financial statements includes information on the Library's Capital Projects Fund under the modified accrual method. These *Fund Financial Statements* focus on the current financial resources and provide a more detailed view about the accountability of the Library's sources and uses of funds.

? The Adjustment column of the financial statements represents adjustments necessary to the government-wide financial statements under the full accrual method.

? The *government-wide financial statement* columns provide both *long-term* and *short-term* information about the Library's *overall* financial status. The statement of net assets and the statement of activities provide information about the activities of the Library as a whole and present a longer-term view of the Library's finances. These statements tell how these services were financed in the short-term as well as what remains for future spending.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

Condensed Financial Information

The table below contains key financial information in a condensed format:

	<u>6/30/2008</u>	<u>6/30/2007</u>
Current Assets	\$ 118,905	\$ 85,068
Noncurrent Assets	<u>584,796</u>	<u>584,750</u>
Total Assets	<u>\$ 703,701</u>	<u>\$ 669,818</u>
Long-Term Liabilities	\$ -	\$ 29,300
Other Liabilities	<u>23,368</u>	<u>15,895</u>
Total Liabilities	<u>\$ 23,368</u>	<u>\$ 45,195</u>

Management's Discussion and Analysis (Continued)

Net Assets		
Invested in Capital Assets-Net of Debt	\$ 584,796	\$ 555,450
Unrestricted	<u>95,537</u>	<u>69,173</u>
Total Net Assets	<u>\$ 680,333</u>	<u>\$ 624,623</u>
Revenue		
Property Taxes	\$ 219,327	\$ 208,885
Grants	35,936	28,368
Other	<u>89,396</u>	<u>100,962</u>
Total Revenues	344,659	338,215
Expenses		
Library Services	<u>(288,949)</u>	<u>(331,208)</u>
Total Expenses	<u>(288,949)</u>	<u>(331,208)</u>
Change in Net Assets	<u>\$ 55,710</u>	<u>\$ 7,007</u>

The Library as a Whole

The Library's net assets increased by \$55,710 in 2008 compared to an increase of \$7,007 in 2007. Decreases in salaries and benefits accounted for the majority of the increase.

The Library's primary source of revenue is property taxes, which represent 64% of total revenues for 2008 compared to 62% for 2007.

Salaries, payroll taxes and fringe benefits are a significant expense of the Library, representing 61% of total expenses for 2008 compared to 63% in 2007.

Depreciation expense for the current year represented 13% of the Library's total expenses for 2008 compared to 14% for 2007.

The Library's Funds

Our analysis of the Library's major funds is included on pages 5, 6 and 7 in the first column of the respective statements. The fund columns provide detailed information about the most significant funds, not the Library as a whole. The Library Board has the ability to create separate funds to help manage money for specific purposes, and to maintain accountability for certain activities, such as property tax millages. The Library's major funds consist of the General Fund and the Capital Projects Fund.

The fund balance of the General Fund increased during the year by \$27,040 as opposed to an increase in the prior year of \$12,315. The increase in the current year was largely due to reducing expenses such as salaries and fringe benefits.

The fund balance of the Capital Projects Fund at June 30, 2008 was \$870 compared to \$521 at June 30, 2007. This is the amount that is left in the checking account. There will not be much activity in this fund until a millage for a new building is passed.

Management's Discussion and Analysis (Continued)

Salaries and fringe benefits were the largest use of resources during the current fiscal year.

Library's Budgetary Highlights

Over the course of the year, the Library Board amended the budget to take into account events that occurred during the year. The most significant amendments occurred in grant revenues and books & materials.

Capital Asset and Debt Administration

At June 30, 2008, the Library had \$1,287,708 invested in land, buildings, furniture and equipment, and books and materials. The Library added \$37,697 in new equipment and collection items during the current year. Of this amount, \$29,537 consisted of new collection items including books, various audio/visual materials and additions to the music collection. The balance of the additions consisted of \$5,687 worth of equipment while \$2,473 consisted of architectural plans for a proposed future library.

Contacting the Library's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Library's finances and to demonstrate the Library's accountability for the resources it receives. If you have questions about this report or need additional information, contact the Librarian of the White Cloud Community Library, P.O. Box 995, White Cloud, MI 49349-0995.

WHITE CLOUD COMMUNITY LIBRARY

Governmental Fund Balance Sheet/Statement of Net Assets June 30, 2008

	General Fund	Capital Projects Fund	Total	Adjustments*	Statement of Net Assets
ASSETS					
Cash	\$ 92,509	\$ 870	\$ 93,379	\$ -	\$ 93,379
Employee Receivable	400	-	400	-	400
Due from Other Governments	25,126	-	25,126	-	25,126
Capital Assets, Net of Accumulated Depreciation	-	-	-	584,796	584,796
Total Assets	<u>\$ 118,035</u>	<u>\$ 870</u>	<u>\$ 118,905</u>	584,796	<u>\$ 703,701</u>
LIABILITIES & FUND EQUITY					
Liabilities					
Accounts Payable	\$ 5,085	\$ -	\$ 5,085	-	\$ 5,085
Deferred Revenue	16,064	-	16,064	1,401	17,465
Accrued Compensated Absences	-	-	-	818	818
Total Liabilities	21,149	-	21,149	2,219	23,368
Fund Balance/Net Assets					
Fund Balances					
Unreserved, reported in:					
General Fund	96,886	-	96,886	(96,886)	-
Capital Projects Fund	-	870	870	(870)	-
Total Fund Balances	<u>96,886</u>	<u>870</u>	<u>97,756</u>	(97,756)	-
Total Liabilities and Fund Balance	<u>\$ 118,035</u>	<u>\$ 870</u>	<u>\$ 118,905</u>		
Net Assets					
Invested in Capital Assets - Net of Related Debt				584,796	584,796
Unrestricted				95,537	95,537
Total Net Assets				<u>\$ 680,333</u>	<u>\$ 680,333</u>

* Notes to the Financial Statements provide the details for main components of the adjustments.

The Notes to the Financial Statements are an integral part of this statement.

WHITE CLOUD COMMUNITY LIBRARY

Statement of Governmental Revenue, Expenditures and Changes in Fund Balance/Statement of Activities June 30, 2008

	General Fund	Capital Projects Fund	Total	Adjustments*	Statement of Activities
REVENUE					
Local Sources					
Property Taxes	\$ 219,327	\$ -	\$ 219,327	\$ -	\$ 219,327
Charges for Services	22,324	-	22,324	-	22,324
Grants	32,863	-	32,863	-	32,863
Penal Fines	35,936	-	35,936	-	35,936
Interest	154	2	156	-	156
Video, Copy and Fax Fees	10,369	-	10,369	-	10,369
Fines	8,879	-	8,879	-	8,879
Donations & Memorials	4,556	20	4,576	-	4,576
Other	6,057	-	6,057	-	6,057
Total Local Sources	340,465	22	340,487	-	340,487
State Sources - State Aid	5,573	-	5,573	(1,401)	4,172
Total Revenue	346,038	22	346,060	(1,401)	344,659
EXPENDITURES					
Salaries and Wages	144,253	-	144,253	-	144,253
Payroll Taxes	11,035	-	11,035	-	11,035
Fringe Benefits	20,023	-	20,023	(376)	19,647
Books and Materials	29,537	-	29,537	(29,537)	-
Utilities and Telephone	10,862	-	10,862	-	10,862
Repairs and Maintenance	18,054	-	18,054	-	18,054
Insurance	3,088	-	3,088	-	3,088
Capital Outlay	7,190	2,476	9,666	(8,160)	1,506
Professional and Contracted Services	23,881	-	23,881	-	23,881

Programs	4,379	-	4,379	-	4,379
Office Supplies	7,479	-	7,479	-	7,479
Postage	1,581	-	1,581	-	1,581
Janitorial Supplies	942	-	942	-	942
Miscellaneous	4,591	-	4,591	-	4,591
Depreciation	-	-	-	37,529	37,529
Debt Service - Principal	-	29,300	29,300	(29,300)	-
Total Expenditures	<u>286,895</u>	<u>31,776</u>	<u>318,671</u>	<u>(29,844)</u>	<u>288,827</u>
Excess Revenue Over (Under) Expenditures	59,143	(31,754)	27,389	28,443	55,832
Other Financing Resources (Uses)					
Transfers In	-	32,103	32,103	(32,103)	-
Transfers Out	(32,103)	-	(32,103)	32,103	-
Loss on Sale of Fixed Assets	-	-	-	(122)	(122)
Change in Fund Balance/Net Assets	<u>27,040</u>	<u>349</u>	<u>27,389</u>	<u>28,321</u>	<u>55,710</u>
Fund Balance/Net Assets - July 1, 2007	<u>69,846</u>	<u>521</u>	<u>70,367</u>	<u>554,256</u>	<u>624,623</u>
Fund Balance/Net Assets - June 30, 2008	<u>\$ 96,886</u>	<u>\$ 870</u>	<u>\$ 97,756</u>	<u>\$ 582,577</u>	<u>\$ 680,333</u>

* Notes to the Financial Statements provide the details for main components of the adjustments.

The Notes to the Financial Statements are an integral part of this statement.

WHITE CLOUD COMMUNITY LIBRARY

Notes to the Financial Statements
For the Year Ended June 30, 2008

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the White Cloud Community Library conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant policies:

1. REPORTING ENTITY

The White Cloud Public Library was organized in 1955 to provide library services for the White Cloud area. In 1998, the Library was re-established as a District Library when the City of White Cloud, Everett Township, Merrill Township, and the White Cloud Public Schools filed resolutions under Public Act 24. The Library's Board consists of eight board members appointed by the participating governments. The White Cloud Community Library is a separate reporting entity.

The financial statements include all activities of the Library. There are no governmental departments, agencies, institutions, commissions, public authorities or organizations within the Library, which its appointed officials may exercise oversight responsibility, that have been excluded. Oversight responsibility is considered to be derived from the Library's power and includes, but is not limited to, financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability of fiscal matters.

Also, using the same criteria above, the Library's financial statements include the accounts of all Library operations.

2. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The Library's basic financial statements include both government-wide (reporting the Library as a whole) and fund financial statements (reporting the Library's major and non-major funds).

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met.

The statement of net assets includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Library's net assets are reported in three parts-investing in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The effect of interfund activity has been eliminated from the government-wide financial statements. Also, there are no fiduciary funds included in the government-wide statements.

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments, are record only when payment is due.

Property taxes, State Shared Revenue, Penal Fines and interest are considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. Grants and similar awards are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. Deferred revenues arise when resources are received by the Library before it has met all of the eligibility requirements imposed by the grantor or provider.

The Library reports the following major governmental funds:

General Fund - The General Fund accounts for all resources used to finance the Library's maintenance and operation except those required to be accounted for in other funds.

Capital Projects Fund - The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities which are not financed by proprietary or trust funds.

3. CAPITAL ASSETS

Capital assets are defined by the Library as assets with an initial cost of more than \$1,000. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance that do not add to the value of the asset or materially extend assets lives are expenses as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and Improvements	10 - 50 Years
Furniture and Equipment	5 - 20 Years
Library Books and Materials	3 - 10 Years

4. PROPERTY TAXES

Property taxes are levied on December 1st based on the taxable valuation of the property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year. The Townships and City bill and collect the property taxes.

5. CASH AND EQUIVALENTS

The Library's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments, if any, with original maturities of three months or less from date of acquisition.

6. USE OF ESTIMATES

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

7. PREPAID EXPENSES

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

8. COMPENSATED ABSENCES

It is the Library's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Library employees are granted vacation and sick leave in varying amounts based on length on service. Upon termination, employees are paid accumulated vacation at full rates and accumulated sick leave at one-half their rate of pay. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for this amount is reported in the general fund.

9. LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources, while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

10. FUND EQUITY

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represents tentative management plans that are subjective to change.

NOTE B STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The General Fund and Capital Projects Fund are under formal budgetary control. The budgets shown in the financial statements for these funds were prepared on a basis not significantly different from the modified accrual basis used to reflect actual results and consists only of those amounts contained in the formal budget approved and amended by the Board.

Notes to the Financial Statements (continued)

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended June 30, 2008, the Library did incur material overexpenditures in the general fund:

<u>Budget Item</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>General Fund</u>			
Capital Outlay	\$ 4,300	\$ 7,190	\$ (2,890)
<u>Capital Projects Fund</u>			
Capital Outlay	\$ -	\$ 2,476	\$ (2,476)

In the body of the financial statements, the Library's actual expenditures and budgeted expenditures for the budgetary fund has been shown on a functional basis. The approved budget for this budgetary fund was adopted at the line item level.

NOTE C DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Library to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Library is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Library's funds are held at Independent Bank of West Michigan and are carried at cost. At June 30, 2008, they consisted of the following:

	<u>Carrying Value</u>	<u>Market Value</u>
NOW Checking	\$ 90,326	\$ 94,680
NOW Checking - Payroll	2,183	2,183
Business Checking Plus - Building	870	870
Total Deposits	<u>\$ 93,379</u>	<u>\$ 97,733</u>
FDIC Insured	\$ 93,379	\$ 97,733
Uninsured	-	-
Total Deposits	<u>\$ 93,379</u>	<u>\$ 97,733</u>

NOTE D DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

Notes to the Financial Statements (continued)

	<u>Unavailable</u>	<u>Unearned</u>
Grants	\$ -	\$ 17,465

NOTE E CAPITAL ASSETS

Capital asset activity of the primary government of the current year was as follows:

Governmental Activities	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets not Being Depreciated:				
Land	\$ 61,675	\$ -	\$ -	\$ 61,675
Capital Assets Being Depreciated:				
Library Collection	543,950	29,537	(19,057)	554,430
Buildings & Improvements	382,000	-	-	382,000
Construction in Progress	149,918	2,473	-	152,391
Equipment & Furniture	154,498	5,687	(22,973)	137,212
Total at Historical Cost	1,230,366	37,697	(42,030)	1,226,033
Less Accumulated Depreciation:				
Library Collection	504,849	25,444	(41,908)	488,385
Buildings & Improvements	54,364	7,666	-	62,030
Equipment & Furniture	148,078	4,419	-	152,497
Total Accumulated Depreciation	707,291	37,529	(41,908)	702,912
Net Capital Assets Being Depreciated	523,075	168	(122)	523,121
Total Governmental Activities Capital				
Capital Assets - Net of Depreciation	<u>\$ 584,750</u>	<u>\$ 168</u>	<u>\$ (122)</u>	<u>\$ 584,796</u>

Depreciation expense for the year ended June 30, 2008 was \$37,529.

NOTE F CHANGES IN LONG-TERM DEBT

During 2005, the Library entered into a short-term note payable for the purpose of purchasing property for the site of a new library. The note required a \$1,000 down payment and was due within six months. However, as the bond issue did not pass, this debt was converted to long-term debt in the current year. The debt is payable in monthly payments of \$200 with no interest being charged.

Long-term debt outstanding, July 1, 2007	\$ 29,300
Debt retired during the year	<u>(29,300)</u>
Long-term debt outstanding - June 30, 2008	<u>\$ -</u>

Notes to the Financial Statements (continued)

NOTE G INTERFUND TRANSFERS

	Transfers In		Total
	General Fund	Capital Projects Fund	
Transfers (Out):			
General Fund	\$ -	\$ 32,103	\$ 32,103
Capital Projects Fund	(32,103)	-	(32,103)
Total	<u>\$ (32,103)</u>	<u>\$ 32,103</u>	<u>\$ -</u>

NOTE H ENDOWMENT FUND

The Fremont Area Community Foundation holds two endowment funds which have been earmarked for the White Cloud Community Library. The values of the endowment funds as of the Foundation's most recent year end's are as follows:

	<u>6/30/2008</u>	<u>6/30/2007</u>
White Cloud Community Library Fund	\$ 34,116	\$ 38,120
Ronald Goldston Fund	<u>7,450</u>	<u>8,303</u>
Total	<u>\$ 41,566</u>	<u>\$ 46,423</u>

NOTE I RETIREMENT PLAN

Description of Plan and Plan Assets - The Library is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS), administered by the State of Michigan. The system provides the following provisions: Normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, non-duty-connected death and postretirement adjustments to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.25 percent times the final average compensation (FAC) with a maximum benefit of 80 percent of FAC. The most recent period for which actuarial data was available was for the fiscal year ended December 31, 2007.

MERS was organized pursuant to Section 12a of Act #156, Public Acts of 1851 (MSA 5.333(a); MCLA 46.12(a), as amended, State of Michigan. MERS is regulated under Act No. 427 of the Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report the includes financial statements and required supplementary information for notes to the system. That report may be obtained by writing to the MERS at 447 North Canal Street, Lansing, MI 48917-9755.

Funding Policy - The obligation to contribute to and maintain the system for these employees was established by the Library's personnel policy, which does not require employees to contribute to the plan. The Library is required to contribute at an actuarially determined rate; the rate was 14.92 percent as of July 1, 2007.

Notes to the Financial Statements (continued)

Annual Pension Cost - During the fiscal year ended June 30, 2008, the Library's contributions totaling \$12,555 were made in accordance with contribution requirements. The employer contribution rate has been determined based on the entry age normal cost funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increase of 4.5 percent based on an age-related scale to reflect merit, longevity, and promotional salary increases.

GASB 25 and GASB 27 Information - The following information has been prepared to provide the information necessary to comply with GASB Statements Number 25 and 27.

All entries and the annual employer contribution amount were based on the actuarial methods and assumptions used in the December 31, 2006 actuarial valuations. The entry age normal actuarial method was used to determine the entries at disclosure.

<u>GASB 25 Information</u>	As of 12/31/2007
Actuarial Accrued Liability	
Retirees and beneficiaries currently receiving benefits	\$ 121,275
Terminated employees not yet receiving benefits	18,213
Current Employees	
Accumulated employee contributions including allocated investment income	21,811
Employer Financed	<u>150,221</u>
Total Actuarial Accrued Liability (b)	311,520
Net Assets Available for Benefits at Actuarial Value (Market Value is \$268,820) (a)	<u>265,720</u>
Unfunded (Over funded) Actuarial Accrued Liability	<u><u>\$ 45,800</u></u>

GASB 27 Information

Fiscal Year Beginning	July 1, 2009
Annual Required Contribution (ARC)	10,260
Amortized Factor Used	0.055889

Notes to the Financial Statements (continued)

Trend Information			
Fiscal Period Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2004	13,145	100%	-
June 30, 2005	17,761	100%	-
June 30, 2006	15,298	100%	-
June 30, 2007	16,831	100%	-
June 30, 2008	18,213	100%	-

Schedule of Funding Progress						
Actuarial Valuation 12/31	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Over) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL As a % of Covered Payroll ((b-a)/c)
2003	137,743	206,593	68,850	66.70%	74,109	92.99%
2004	161,622	210,304	48,682	76.90%	85,272	57.09%
2005	195,957	252,909	56,952	77.48%	90,281	63.08%
2006	227,383	278,603	51,220	81.62%	112,639	45.47%
2007	265,720	311,520	45,800	85.30%	84,188	54.40%

NOTE J DEFERRED COMPENSATION PLAN

The Library offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Library employees, permits deferral of a portion of earnings until future years. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the Library (without being restricted to the provisions of benefits under the plan), subject only to the claims of the Library's general creditors. Participant rights under the plan are equal to those of general creditors of the Library in an amount equal to the fair market value of the deferred account for each participant.

It is the opinion of the Library that the Library has no liability for losses under the plan but does have the duty of due care that would be required for an ordinary prudent investor.

NOTE K RISK MANAGEMENT

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The Library maintains commercial insurance coverage for each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Library. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE L RECONCILIATION OF FUND FINANCIAL STATEMENTS TO GOVERNMENT-WIDE FINANCIAL STATEMENTS

Total fund balance and the net change in fund balance of the Library's governmental fund differs from net assets and the statement of the governmental activities reported in the statement of net assets and statement of activities. This difference primarily results from the long-term economic focus of the statement of net assets and statement of activities versus the current financial resources focus of the governmental fund balance sheet and statement of revenue, expenditures, and change in fund balance. The following is a reconciliation of fund balance to net assets and the net change in fund balance to the net change in net assets:

Total Fund Balance - Modified Accrual Basis	\$ 97,756
Amounts reported in the statement of net assets are different because:	
Capital assets are not financial resources, and are not reported in the funds	584,796
Deferred revenues for State Aid which are received but not earned are not reported in the fund statements, but are recorded as unearned revenues in the statement of net assets	(1,401)
Compensated absences are included as a liability	<u>(818)</u>
Net Assets of General Fund - Full Accrual Basis	<u>\$ 680,333</u>
Net Change in Fund Balances - Modified Accrual Basis	\$ 27,389
Amounts reported in the statement of activities are different because:	
State Aid amounts that are paid covering periods outside of the current fiscal year are considered revenues for the fund statements but are unearned for the statement of activities	(1,401)
Capital outlays are reported as expenditures in the statement of revenues, expenditures, and changes in fund balance; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation.	
Library Books and Materials	29,537
Capital Outlay	8,160
Depreciation	(37,529)
Governmental funds only report the disposal of assets to the extent proceeds are received from the sales. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the disposal of fixed assets.	(122)
Note payable principal payments are reported as an expenditure in the fund statements, but not in the statement of activities (where it reduces long-term debt)	29,300
Increase in the accrual for long-term compensated absences reported as an expenditure in the statement of activities, but not in the fund statements	<u>376</u>
Change in Net Assets of General Fund - Full Accrual Basis	<u>\$ 55,710</u>

WHITE CLOUD COMMUNITY LIBRARY

Required Supplementary Information Budgetary Comparison Schedule - General Fund For the Year Ended June 30, 2008

REVENUE	Budgeted Amounts		Actual	Variance to Final Budget
	Original	Final		
Local Sources				
Property Taxes	\$ 210,000	\$ 225,000	\$ 219,327	\$ (5,673)
Charges for Services	20,000	21,000	22,324	1,324
Grants	32,975	45,345	32,863	(12,482)
Penal Fines	44,000	35,920	35,936	16
Interest	200	200	154	(46)
Video, Copy and Fax Fees	10,500	10,500	10,369	(131)
Fines	9,000	9,000	8,879	(121)
Donations & Memorials	2,000	2,000	4,556	2,556
Other	6,100	6,100	6,057	(43)
Total Local Sources	334,775	355,065	340,465	(14,600)
State Sources - State Aid	6,607	5,542	5,573	31
Total Revenue	341,382	360,607	346,038	(14,569)
EXPENDITURES				
Salaries and Wages	151,678	151,678	144,253	7,425
Payroll Taxes	12,100	12,100	11,035	1,065
Fringe Benefits	19,108	20,208	20,023	185
Books and Materials	34,655	42,894	29,537	13,357
Utilities and Telephone	14,250	14,250	10,862	3,388
Repairs and Maintenance	19,750	20,500	18,054	2,446
Insurance	3,800	3,088	3,088	-
Capital Outlay	3,300	4,300	7,190	(2,890)
Professional and Contracted Services	25,000	28,477	23,881	4,596
Programs	3,420	3,420	4,379	(959)
Office Supplies	6,050	6,050	7,479	(1,429)
Postage	1,600	1,600	1,581	19
Janitorial Supplies	1,000	1,000	942	58
Miscellaneous	6,000	10,100	4,591	5,509
Total Expenditures	301,711	319,665	286,895	32,770
Excess Revenue Over (Under) Expenditures	39,671	40,942	59,143	(47,339)
Other Financing Resources (Uses)				
Transfers Out	(30,000)	(30,000)	(32,103)	(2,103)
Change in Fund Balance	\$ 9,671	\$ 10,942	27,040	\$ (49,442)
Fund Balance - July 1, 2007			69,846	
Fund Balance - June 30, 2008			\$ 96,886	

WHITE CLOUD COMMUNITY LIBRARY

Required Supplementary Information Budgetary Comparison Schedule - Capital Projects Fund For the Year Ended June 30, 2008

REVENUE	Budgeted Amounts		Actual	Variance to Final Budget
	Original	Final		
Donations & Memorials	\$ -	\$ -	\$ 20	\$ 20
Interest	-	-	2	2
Total Revenue	-	-	22	22
EXPENDITURES				
Capital Outlay	-	-	2,476	(2,476)
Debt Service - Principal	30,000	30,000	29,300	700
Total Expenditures	30,000	30,000	31,776	(1,776)
Excess Revenue Over (Under) Expenditures	(30,000)	(30,000)	(31,754)	1,798
Other Financing Resources (Uses)				
Transfers In	30,000	30,000	32,103	2,103
Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	349	<u>\$ 3,901</u>
Fund Balance - July 1, 2007			<u>521</u>	
Fund Balance - June 30, 2008			<u>\$ 870</u>	

H&S Companies

Hendon & Slate, PC
Certified Public Accountants
Business Consultants

November 5, 2008

Library Board
White Cloud Community Library
Newaygo County
White Cloud, MI 49349

In planning and performing our audit of the financial statements of the White Cloud Community Library as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the White Cloud Community Library's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the White Cloud Community Library's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

Grand Rapids
4575 Lake Michigan Dr. NW
Grand Rapids, MI 49546
Phone (616) 453-8551
Fax (616) 453-9352

Muskegon
4985 South Harvey Street
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Fax (231) 798-8409

Fremont
711 West Main Street
Fremont, MI 49412
Phone (231) 924-6890
Fax (231) 924-4088
Toll Free (800) 924-6891

Montague
4538 Dowling Street
Montague, MI 49437
Phone (231) 893-6772

Hart
1550 N. Industrial Park Drive
Hart, MI 49420
Phone (231) 873-5611
Fax (231) 873-7033

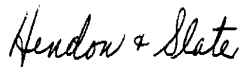
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Controls over the Selection and Application of Accounting Principles that are in
Conformity with Generally Accepted Accounting Principles

The Library currently does not have personnel available with sufficient expertise to select and apply the accounting principles necessary to prepare the financial statements and note disclosures contained in the audit report.

This communication is intended solely for the information and use of management, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in cursive script that reads "Hendon & Slate".

Hendon & Slate, P.C.
Certified Public Accountants
Fremont Office

H&S Companies

Hendon & Slate, PC
Certified Public Accountants
Business Consultants

November 5, 2008

Library Board
White Cloud Community Library
Newaygo County
White Cloud, MI 49349

We have audited the financial statements of White Cloud Community Library for the year ended June 30, 2008, and have issued our report thereon dated November 5, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibilities under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated August 4, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of White Cloud Community Library. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of White Cloud Community Library's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on September 24, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by White Cloud Community Library are described in Note A to the financial statements. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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www.hscompanies.com

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

We evaluated the key factors and assumptions used to develop the value of these items in determining that it is reasonable in relation to the financial statements taken as a whole

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 5, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

Internal controls are designed to safeguard assets and help or detect losses from employee dishonesty or error. We are including the following comments and recommendations :

PRIOR YEAR RECOMMENDATIONS:

Interfund Transfers:

While the Library has a separate checking account for the General Fund and Capital Projects Fund, the General Fund account is the one primarily used. Often, when a building-related expense needs to be paid, it is paid from the General Fund checking and the bookkeeper records an interfund transfer on the books to balance the funds. However, the cash is not being actually transferred between accounts.

We continue to suggest that the Library make an actual cash transfer to the Capital Projects Fund checking from the General Fund checking and then pay the expense out of the Capital Projects Fund checkbook.

CURRENT YEAR RECOMMENDATIONS

Taxable Fringes

The Library has an employee (Nancy) who receives compensation for Medicare Part B coverage and an employee (Jessie) who receives compensation in lieu of health insurance. These amounts have been paid to the employees as expense reimbursements instead of as part of a payroll check. However, these amounts are a form of compensation and need to be paid through the payroll system with all appropriate taxes withheld. We recommend that when it is time to pay these amounts, the Library contact their payroll preparer so that the amounts may be correctly added to a paycheck and be included in the employee's taxable wages.

Daily Deposits

Cash receipts are not being deposited on a timely basis. At the present time, the cashier accumulates cash receipts in a desk drawer and makes weekly deposits. As a result, not only is there risk of loss from burglary, misplacement, or misappropriation, but the cash is not available to pay expenditures or earn interest. We recommend that deposits be made on a daily basis both to improve cash flow and to reduce the risk of loss. If it is not convenient for a Library employee to make daily trips to the bank, use of a fire proof safe might be considered.

Cancel Documents

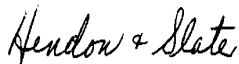
Invoices and any other documents supporting disbursements should be cancelled when the checks are signed. By cancelling or stamping them as "Paid", the documents will be rendered ineffective as support for further or duplicate payment. The cancelled supporting documents should then be attached to the copy of the check stub and filed.

Computer System

We noted that the Library is currently backing up its computer files on a monthly basis. We recommend that computer files be backed up at least weekly so as to have more current information available in the event of computer failure.

This information is intended solely for the use of the Board of Directors and management of White Cloud Community Library and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Hendon & Slate, PC
Certified Public Accounts
Fremont Office